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INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
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RUCNMEM/EU MEMBER STATES COLLECTIVE  
RUEHAK/AMEMBASSY ANKARA 3683  
RUEHBJ/AMEMBASSY BEIJING 1501  
RUEHKO/AMEMBASSY TOKYO 1368  
RUEHIT/AMCONSUL ISTANBUL 1937  
RUEATRS/DEPT OF TREASURY WASHDC  
RHEHNSC/NSC WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RHMFISS/CDR USCENCOM MACDILL AFB FL  
RUEAIIA/CIA WASHDC  
RHEFDIA/DIA WASHDC  
RUEKJCS/JOINT STAFF WASHDC  
RUEKJCS/SECDEF WASHINGTON DC  
RUEHVEN/USMISSION USOSCE 2454

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000523

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STATE FOR SCA/CEN, EEB  
STATE PLEASE PASS TO USTDA DAN STEIN  
COMMERCE FOR HUEPER

E.O. 12958: DECL: 07/20/2017

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SUBJECT: TURKMENISTAN: CURRENCY DEVALUATION -- A WORK IN PROGRESS

REF: ASHGABAT 479

Classified By: CDA Sylvia Curran for reasons 1.4 (B) and (D).

11. (C) SUMMARY: On April 19 and April 24, the Central Bank of Turkmenistan significantly changed the manat-dollar exchange rate twice, reducing the value of the dollar by 33 percent. On April 14 the president made a vague statement that made many think that the exchange rates would be unified by May 1. A long-term expatriate member of the donor community said that he heard from a reliable source that the rate will be lowered to 15,000 manat per dollar next week -- perhaps even April 28. While some in the Central Bank are profiting from this exercise, many people are suffering and worrying about what will happen next. END SUMMARY.

EXCHANGE RATE DROPS AGAIN ON APRIL 19...

12. (U) After a lot of rumor -- and the firing of ex-Central Bank Chairman Geldimurat Abilov on April 14 (reftel) -- on April 19, the commercial exchange rate dropped to 17,430 manat per \$1 (when selling dollars), or \$1 per 17,600 manat (when buying dollars). The previous rate was 19,800 manat per \$1 (when selling dollars), or 20,000 manat per \$1 (when buying dollars). (NOTE: The official exchange rate has remained steady at 6,250 manat per \$1.)

...THEN SUDDENLY AGAIN ON APRIL 24

13. (U) On April 24, a notice in the official Russian-language government newspaper, "Neytralniy Turkmenistan," carried a small Central Bank notice on the back page announcing that as of that day, all commercial banks in Turkmenistan would buy \$1 for 16,000 manat, and would sell \$1 for 16,100. (COMMENT: While 16,000 manat/dollar is the official commercial rate, currency traders on the street were buying dollars at a much lower rate - 13,000 or 14,000/dollar. END COMMENT.)

HINTS OF WHAT MAY COME NEXT WEEK

14. (C) On April 14, President Berdimuhamedov said that "we (Turkmen) should start the process of exchange rate unification by May 1," but no one understood what this meant. Although he did not state that the rates would be unified on that date, many Turkmen believe that this is what will happen. Rumors April 24 that the exchange rate would drop to 15,000 manat per \$1 on April 25 did not pan out. Michael Wilson, Advisor of EU-Tacis in Turkmenistan, said that his source in the Central Bank said that the rate will drop to 15,000 manat next week, and Wilson assumes that it will occur on April 28. Wilson added that "it's stupid if they (Central Bank officials) drop it more because the dollar is strengthening."

ONE EXPERT: "STEALING FROM THE RICH"

15. (C) As Wilson sees it, the government is, in effect, taxing Turkmen who deal in dollars such as those who bought elite apartments at subsidized prices and who are now renting them to foreigners for significant money. Likewise, Turkmen who earn salaries in dollars or euros are also getting "taxed" at the rate of 30 percent, the approximate decline of the exchange rate. Wilson believes that if the government allowed the exchange rate to find its own equilibrium, the true exchange rate would be about 15,000 manat per \$1. He noted that the "street changers" who run exchange booths around the corner from the Embassy are not legal -- the government simply tolerates them -- as people must present passports at all legal exchange outlets and their names and other biodata must be recorded. (COMMENT: Although the

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street vendors who operate around the corner from the Embassy are not "legal," the stacks and stacks of manat they use to trade come from the Central Bank, according to the EBRD country representative. END COMMENT.) According to Wilson, legalization of these street changers would cause a black market to develop immediately, because they are serving essentially as an official black market. Wilson believed that international organizations and foreign missions may have to cut back on their programs to increase compensation for their local staff. This is assuming they will be able to keep all of their highly-trained employees, who certainly will be tempted to seek higher wages from foreign companies. Wilson pointed out that the Central Bank, including, of course those at the top, has profited hugely from manipulating the rate through this process so far.

16. (SBU) COMMENT: In the end, the rate changes affect everyone, not only the rich, and a lot of people are very concerned about what is to come. These events have created more questions than answers. Many from the donor community have stood at the ready to assist with advice, but has found no takers. END COMMENT.

CURRAN